THE ROAD HOME

CDBG-LIHTC Piggyback Program Description

Louisiana Office of Community Development,
Division of Administration

Louisiana Recovery Authority

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DRAFT

Louisiana CDBG-LIHTC Program
Program Description

Overview

The LIHTC-CDBG program (referred to as the "Piggyback" program in the Louisiana Recovery Administration Action Plan) supports affordability for especially low-income Louisianans in properties receiving Gulf Opportunity Zone Low Income Housing Tax Credits (see the summary discussion of Additional Affordability Units on page 2 and the more detailed discussion in Appendix 1). The Program also supports the production of three types of eligible properties through four types of funding. Eligible Property Types are summarized on page 2 and are discussed in more detail in Appendices 2, 3 and 4. Types of Funding are summarized on pages 3 and 4 and are discussed in more detail in Appendices 5 through 10.

Type of Funding	Mixed Income Properties	Additional Affordability LIHTC Properties	Permanent Supportive Housing Properties
Operating Subsidy for Additional Affordability Units	Yes	Yes	Yes
Flexible Subsidy	Yes		
Gap Financing		Yes	Yes
Supportive Services Grant	Yes*	Yes*	Yes

* Supportive Services Grants to local agencies will fund services for PSH clients who live in Mixed Income and Additional Affordability LIHTC properties

OCD, LRA and CDBG Funding. The Office of Community Development ("OCD") is providing $667 million of Community Development Block Grant ("CDBG") funds, to be used in conjunction with Gulf Opportunity Zone tax credits ("GO Zone Credits") under the Low Income Housing Tax Credit ("LIHTC") program in accordance with the Louisiana Recovery Authority ("LRA") Action Plan entitled "The Road Home".

Primary Method of Award. The OCD/CDBG funds will be awarded to sponsors who apply for and receive GO Zone Credits under the 2007 and 2008 allocation rounds. The Louisiana Housing Finance Agency ("LHFA") application form for the 2007 and 2008 allocation rounds will include the ability to apply for the OCD / CDBG funding discussed herein. GO Zone Credit funding and CDBG funding will be based on a self-scored application verified by LHFA, and using a scoring formula developed by LHFA, OCD and LRA. In order to be eligible for CDBG funding, applications must meet all requirements and must achieve a minimum score that varies according to project type. Applicants for the 2007-2008 LIHTC allocation rounds are not required to apply for any OCD / CDBG funds. OCD and LRA anticipate adjusting Program criteria for the 2008 allocation round based on responses in the 2007 allocation round.

Secondary Method of Award. Significant CDBG funds are initially allocated for Operating Subsidy to make units affordable to households with particularly low incomes. However, this outcome can also be achieved through the use of other types of funding (such as HUD Section 8 subsidy). OCD and LRA encourage sponsors to apply for and obtain such alternative subsidies to the extent they are available. To the extent that CDBG funds initially allocated for Operating Subsidy are not needed for that purpose, OCD will make those funds available competitively for:

- Gap Financing for LIHTC developments utilizing tax-exempt private activity bonds and 4% LIHTCs. See Appendix 6.
- Additional Flexible Subsidy to support the development of additional Mixed Income properties.

Funding Allocation. CDBG funds will be allocated among three pools identified for Mixed Income, Additional Affordability LIHTC, and Permanent Supportive Housing developments. CDBG funds initially allocated for Operating Subsidy will be available to support Additional Affordability Units (as defined below) to the extent required by the selected applications from the three product-type pools. Consistent with the LRA Action Plan, 75% of the funds for each of the three pools (by project type) will be further allocated into sub-pools by Parish according to the number of rental units in the Parish that were damaged by the 2005 hurricanes, with the remaining 25% being allocated to a general sub-pool (open to all applicants in the GO Zone regardless of location) for that project type. Funds from a Parish sub-pool will not be available for re-allocation to the general sub-pool for the same project type unless there are insufficient acceptable applications within the Parish for the targeted development type. After awarding funds by project type, any funds then remaining will be utilized as discussed under Secondary Method of Award above. See also Appendix 10 which provides additional detail for the funding allocation approach.

Workforce Housing. OCD and LRA seek to facilitate development of workforce housing, including market-rate units and units affordable to (and restricted to occupancy by) households with incomes below 60% of AMI.

Additional Affordability Units. OCD and LRA seek to facilitate development of units affordable to (and restricted to occupancy by) households with incomes at or below:

- 20% of area median income (“AMI”), hereinafter referred to as “20% AMI Units”.
- 30% of AMI, hereinafter referred to as “30% AMI Units”.
- 40% of AMI, hereinafter referred to as “40% AMI Units”.

Collectively, 20% AMI Units and 30% AMI Units and 40% AMI Units are hereinafter referred to as “Additional Affordability Units”. Additional Affordability Units, and related requirements, are discussed in more detail in Appendix 1.

Permanent Supportive Housing (“PSH”). OCD and LRA also seek to facilitate the development of permanent supportive housing for a variety of households including extremely low income people (30% of AMI and below) with serious and long term disabilities, and/or who are homeless and/or who are most at-risk of homelessness. OCD and LRA will pursue two PSH strategies:

- The primary strategy is a PSH Set-Aside Program, under which all properties that receive 2007-2008 GO Zone Credits will agree to make at least 5% of total units available to

PSH clients, who will be supported by appropriate services (provided through local agencies using CDBG funds).

- The secondary strategy is development of PSH properties (in which at least 15% of units are designated for PSH clients). PSH clients will be supported by appropriate services (provided through local agencies and the property's sponsor using CDBG funds).

Permanent supportive housing is an "evidenced-based" best practice housing model which provides affordable rental housing units in a non-institutional setting linked with flexible community-based supportive services. Some PSH units will be created in PSH developments, as discussed in more detail in Appendix 4. Most PSH units, however, will be created within Mixed Income, Additional Affordability LIHTC, and non-CDBG GO Zone developments, through a set-aside of at least 5% of total units. See also Appendix 4 (PSH) and Appendix 8 (Service Plans).

Eligible Property Types. OCD funds will be provided to support the development of the following types of affordable rental housing:

- **Mixed Income –** properties including at least 60% of units not restricted by OCD as to rents or occupancy. 10% of the units must be 20% AMI Units, and 10% of the units must be 30% AMI Units. OCD and LRA expect that Mixed Income developments will be able to support significant amounts of first mortgage debt, and that GO Zone Credits will support most, perhaps all, of the development costs for the 20% AMI Units and 30% AMI Units. OCD and LRA expect that most Mixed Income developments will require Louisiana Flexible Subsidy and that all Mixed Income developments will require Louisiana Operating Subsidy (or some other form of rental assistance, such as Section 8) to support the 20% AMI Units and 30% AMI Units. Mixed Income developments are discussed in more detail in Appendix 2. *For example, a 250-unit project with 150 market-rate units and 100 LIHTC units, with 25 of the LIHTC units being 20% AMI units and 25 of the LIHTC units being 30% AMI units.*

- **Additional Affordability LIHTC –** LIHTC properties in which 20% of the units are 20% AMI Units, 20% of the units are 30% AMI Units, and 20% of the units are 40% AMI Units, with the remaining units being equally divided between units restricted at 50% AMI and units restricted at 60% AMI[1]. OCD and LRA envision that Additional Affordability LIHTC developments will be able to support modest amounts of first mortgage debt, and that first mortgage debt and GO Zone Credits will support most, perhaps all, development costs. OCD and LRA expect that a few Additional Affordability LIHTC developments may require Louisiana Gap Financing and that all Additional Affordability LIHTC developments will require Louisiana Operating Subsidy (or some other form of rental assistance, such as Section 8) to support the Additional Affordability Units. Additional Affordability LIHTC developments are discussed in more detail in Appendix 3. *For example, a project with 100 LIHTC units (20 20% AMI units, 20 30% AMI units, 20 40% AMI Units, 20 units restricted at 50% AMI, and 20 units restricted at 60% AMI).*

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[1] For Additional Affordability LIHTC properties in which less than 100% of the units are LIHTC units, these percentages apply to the LIHTC units only.

- **Permanent Supportive Housing (“PSH”) –** LIHTC properties in which 15% or more of the units are designated for eligible populations and in which eligible clients / tenants are offered a range of intensive supportive services linked directly to the PSH units. OCD and LRA expect that Permanent Supportive Housing units will not be able to support first mortgage debt, that most development costs will be funded through GO Zone Credits, and that some Permanent Supportive Housing units may require Louisiana Gap Financing. OCD and LRA expect that all Permanent Supportive Housing developments will require Louisiana Operating Subsidy (or some other form of rental assistance, such as Section 8) to support the Additional Affordability Units. Permanent Supportive Housing developments are discussed in more detail in Appendix 4. See Appendix 8 for the required Service Plan for Permanent Supportive Housing developments. *For example, a project with 100 LIHTC units, 20 of which are reserved for members of eligible populations, with an intensive services package as discussed in Appendix 8. Or a 20 unit LIHTC project, of which all units are reserved for eligible populations, with an intensive service package as discussed in Appendix 8.*

As discussed above, OCD and LRA expect that a modest amount of Permanent Supportive Housing will be created in PSH developments, and that a much larger amount of Permanent Supportive Housing will be developed through the PSH Set-Aside Program, in properties designating 5% or 10% of total units for PSH clients.

Types of Funding Available From OCD

Sponsors may apply for the CDBG funds discussed above only in conjunction with an application to the Louisiana Housing Finance Agency (“LHFA”) for 2007 or 2008 GO Zone Credits. Sponsors may apply for the following types of financial assistance:

- **Louisiana Operating Subsidy –** up to $422.4 million will be available. This funding will be available for units (in any of the three eligible property types) affordable to households with incomes below 40% of AMI. Funding will be in the form of 15-year subsidy contracts through OCD. The subsidy contracts will pay the difference between the affordable rent (for example, the 20% AMI rent with respect to a 20% AMI Unit) and the payment standard proposed by the sponsor and approved by OCD. Sponsors may propose a payment standard of (a) the 50% AMI rent, (b) the 55% AMI rent, or (c) the 60% AMI rent most recently published by LHFA. Sponsors proposing lower payment standards will receive additional points in the competitive scoring formula. See also the discussion of Louisiana Operating Subsidy in Appendix 5. OCD and LRA encourage sponsors to apply for and obtain available alternative subsidies (such as Section 8) in lieu of requesting Operating Subsidy.

- **Louisiana Mixed Income Flexible Subsidy –** up to $86.6 million will be available to provide financial support for Mixed Income developments. Sponsors may choose one of three types of Flexible Subsidy support: an operating deficit escrow, a 1.0% simple interest loan, or a compound-interest loan at the Applicable Federal Rate. Support will be limited to $10 million per sponsor. See the discussion of Flexible Subsidy Terms in Appendix 9.

- **Louisiana Additional Affordability Gap Financing** -- up to $55 million will be available through LHFA to provide gap financing for Additional Affordability LIHTC developments (i.e., to cover total development costs that cannot be funded through GO Zone Credits or other sources). Loans will be limited to $15,000 for each LIHTC unit. See the discussion of Gap Financing Terms in Appendix 7.

- **Louisiana Permanent Supportive Housing Gap Financing** -- up to $30 million will be available through LHFA to provide gap financing for Permanent Supportive Housing developments (i.e., to cover total development costs that cannot be funded through GO Zone Credits or other sources). Loans will be limited to $15,000 for each LIHTC unit. See the discussion of Gap Financing Terms in Appendix 7.

- **Louisiana Supportive Services Grants –** up to $72.7 million will be available through OCD toward the cost of supportive services with respect to the PSH Set-Aside Program residents (who live in Mixed Income, Additional Affordability LIHTC, or GO Zone Credit developments), and with respect to residents of Permanent Supportive Housing developments. Louisiana Supportive Services Grants are limited to $25,000 per eligible unit. Louisiana Supportive Services Grants are discussed in more detail in Appendix 4. The bulk of this funding will be allocated directly to local agencies designated by the Louisiana Department of Health and Hospitals and the Louisiana Department of Social Services, to support PSH clients under the PSH Set-Aside Program. The remaining funding will support PSH clients who live in PSH properties developed under the Piggyback program.

Summary of Key CDBG Compliance Requirements

Sponsors will be responsible for compliance with all applicable Community Development Block Grant requirements not specifically waived. These requirements include, without limitation:

- **Environmental.** Generally, new construction or substantial rehabilitation[2] will require that OCD complete an Environmental Assessment based on the report of an environmental engineer. Other activities will require that OCD complete a Statutory Worksheet based on the report of an environmental engineer. See 24 CFR Part 58.

- **Fair Housing.** Sponsors must comply with Section 504 of the Rehabilitation Act of 1973. See 24 CFR Part 8.

- **Labor.** If CDBG funds are used for construction, Davis-Bacon wage rates and reporting requirements will apply. Whether the CDBG funds are used for construction is a situation-specific determination based on how the CDBG funds are provided and whether the CDBG funds are earmarked for particular purposes. See 42 USC 5310 and 24 CFR 570.603.

[2] Under CDBG, substantial rehabilitation is rehabilitation that meets any of the following tests: (a) the estimated cost of rehabilitation is 75% or more of the total replacement cost; or (b) the total number of units is changed by more than 20%; or (c) the project involves change in land use from residential to non-residential.

- **Subsidy Layering.** Sponsors must submit a certified statement detailing (a) all projected sources and uses of funds; (b) any funding applied for or projected to be provided by any federal, State or local governmental entity; and (c) whether any uses of funds are proposed to be paid to entities having an identity of interest with the sponsor. After completion of construction, sponsors must submit a cost certification audit from an independent public accountant acceptable to OCD. The amount of the CDBG award will be subject to reduction based on Subsidy Layering review.

Appendix 1: Additional Affordability Units

Unit Mix. OCD and LRA will require that Additional Affordability LIHTC sponsors provide an equal mix of 20% AMI Units, 30% AMI Units, 40% AMI Units, units restricted at 50% AMI, and units restricted at 60% AMI.

20% AMI Units. Except as discussed in Appendix 5 (Louisiana Operating Subsidy), the rent for a 20% AMI unit (including tenant-paid utilities) may not exceed the 20% AMI rent most recently published by LHFA. Each 20% AMI unit may be occupied only by a household whose adjusted income, at time of initial occupancy, was below 20% of AMI.

30% AMI Units. Except as discussed in Appendix 5 (Louisiana Operating Subsidy), the rent for a 30% AMI unit (including tenant-paid utilities) may not exceed the 30% AMI rent most recently published by LHFA. Each 30% AMI unit may be occupied only by a household whose adjusted income, at time of initial occupancy, was below 30% of AMI.

40% AMI Units. Except as discussed in Appendix 5 (Louisiana Operating Subsidy), the rent for a 40% AMI unit (including tenant-paid utilities) may not exceed the 40% AMI rent most recently published by LHFA. Each 40% AMI unit may be occupied only by a household whose adjusted income, at time of initial occupancy, was below 40% of AMI.

Rent Charged By Sponsor. The sponsor may charge less than the maximum rent (for example, for 20% AMI Units the owner may charge less than the 20% AMI rent) but may not charge more. However, the Louisiana Operating Subsidy payment will be based on the maximum affordable rent (in this example, the 20% AMI rent) and not on any lower rent the sponsor may decide to charge.

Rental Assistance. Sponsors may apply for Louisiana Operating Subsidy for some or all Additional Affordability Units. Sponsors are encouraged to apply for and obtain alternative rental assistance, such as Section 8 or Public Housing Operating Subsidy, so as to maximize the amount of CDBG funds available for the Secondary Method of Award (see page 3).

Above-Income Households. Six months after a household's income reaches or exceeds 60% AMI:

- If the Additional Affordability Unit is in an Additional Affordability LIHTC development or PSH development, the household may remain and pay the 60% AMI rent, and the sponsor must convert the next available similar unit to an Additional Affordability Unit at the applicable level of affordability. If the household's income continues to rise, the LIHTC Next Available Unit rule will apply.
- If the Additional Affordability Unit is in a Mixed Income development, the household may remain and pay the 60% AMI rent. If the household's income continues to rise, the LIHTC Next Available Unit rule will apply.

Resident Selection Criteria. Sponsors must admit, ahead of all other qualified applicants, qualified applicants who were displaced by Hurricanes Katrina or Rita and have not yet obtained permanent housing. Sponsors may apply any additional non-discriminatory resident selection criteria, provided that the same resident selection criteria are applied consistently to all applicants for other units within the development.

Unit Sizes, Features and Quality. Additional Affordability Units may not differ (for example, in size, number of bathrooms, or quality of finishes) from other units within the property having the same number of bedrooms. If no other units within the property have the same number of bedrooms, the sponsor's application must demonstrate to LHFA (in LHFA's sole discretion) that the proposed unit sizes, numbers of bathrooms, and finish quality for the Additional Affordability Units are comparable to the remaining units, taking into account differences in number of bedrooms.

Appendix 2: Mixed Income Developments

These developments contain between 60% and 80% market rate units, contain exactly 10% "20% AMI Units", and contain exactly 10% "30% AMI Units". OCD and LRA will not make 40% AMI Units available in Mixed Income developments. Sponsors may apply to LHFA for additional LIHTC units, up to a total of no more than 40% LIHTC units.

Selections for Award. Mixed Income developments will be selected for award via a best-value competition in which applications will be ranked by a joint LHFA-OCD-LRA selection panel according to the public purpose criteria listed below

Public Purpose Criteria. OCD and LRA are facilitating Mixed Income Developments in order to provide needed workforce housing and in order to provide replacement housing for extremely-low-income evacuees without replicating the excessive concentration of poverty that was prevalent prior to Hurricane Katrina. LRA and OCD intend for the Mixed Income program to demonstrate best practices in neighborhood revitalization, de-concentration of poverty, and smart growth. The following factors summarize the key public-purpose objectives of the program and how those objectives will be measured:

- **Leverage and Financial Efficiency –** amount of Gap Financing requested as a percentage of total development cost, the extent of local government financial support, whether additional LIHTC units are proposed (over and above the minimum 20% required), the proposed level of builder/developer fees, and the interest rate proposed to be paid on the Gap Financing funds.
- **Affordability –** LRA and OCD wish to stimulate production of market-rate units that will be affordable to important workforce populations such as teachers, police, nurses, and firefighters. Accordingly, LRA and OCD will consider the level of market rents projected (relative to Area Median Income), and whether the sponsor proposes to accept a restriction on the rents to be charged for the market-rate units (and if so, the rent level and duration of that restriction).
- **Mixed-Income Plan –** the quality and persuasiveness of the sponsor's plan for creating a viable mixed-income community, the sponsor's experience in providing high quality market-rate rental housing, and the sponsor's experience in providing high quality affordable rental housing.
- **Quality –** quality of design / appeal, whether the design is consistent with the neighborhood, the proposed unit sizes and features and amenities, and consistency of the location and proposed design with smart growth principles.
- **Location –** applications in the New Orleans MSA will have a priority for selection. Applications will not otherwise be prioritized according to location within the GO Zone.
- **Other Public Purposes –** the extent of support for the project from the neighborhood and the local government, the compatibility of the project with the locality's Consolidated Plan, whether the development is consistent with the community-based planning process instituted by LRA, and how the proposed project will facilitate the economic and social improvement of the neighborhood.

Funding Available. Mixed Income sponsors may apply for Louisiana Mixed Income Flexible Subsidy (for operating deficit reserves or gap financing) and Louisiana Operating Subsidy (to support Additional Affordability Units). OCD envisions that all Mixed Income sponsors will apply for GO Zone Credits for the minimum required Additional Affordability Units (20% of total units) and may apply for GO Zone Credits for up to an additional 20% of total units.

Additional Application Requirements. In addition to requirements otherwise required for LIHTCs, sponsors of proposed Mixed Income developments must provide a plan for creating a successful mixed-income community. This plan should discuss, at a minimum, whether discounts will be needed for market-rate units and whether additional operating expenses may be required in order to support a successful mixed-income community. Sponsors must agree to house, for up to 5% of total units, qualified Permanent Supportive Housing applicants who are beneficiaries of Supportive Services Grants (see also the related discussion in Appendix 4). Additional points will be awarded to Mixed Income sponsors who agree to a PSH set-aside larger than the 5% minimum requirement.

Rents and Occupancy. Rents for market-rate units within Mixed Income developments will not be subject to any LHFA or OCD requirements (but may be subject to a rent restriction voluntarily accepted by the sponsor). No LHFA or OCD requirements will apply to the sponsor's selection of residents for the market-rate units. Rents and occupancy for the Additional Affordability Units will be regulated as discussed in Appendix 1 and may be subsidized via an Louisiana Operating Subsidy contract as discussed in Appendix 5. Rents and occupancy for Permanent Supportive Housing tenants will be subject to OCD requirements as discussed in Appendix 4.

Income Data for Initial Occupants. Because of CDBG program reporting requirements, OCD will require sponsors to provide information on household incomes of all initial occupants of market-rate units. For market-rate units, no income information need be provided to OCD except for the first household that occupies each market-rate unit. Neither OCD nor LHFA will impose any income limitations for occupancy of market-rate units.

Appendix 3: Additional Affordability LIHTC Developments

These developments may contain up to 100% LIHTC units. LIHTC units must be equally divided between 20% AMI Units, 30% AMI Units, 40% AMI Units, units restricted at 50% AMI, and units restricted at 60% AMI.

Public Purposes. OCD and LRA are facilitating Additional Affordability LIHTC developments in order to provide needed workforce housing, to provide replacement housing for extremely-low-income evacuees in particular, and to provide housing for extremely-low-income households generally, without replicating the excessive concentrations of poverty prevalent prior to Hurricane Katrina.

Funding Available. Additional Affordability LIHTC sponsors may apply for Louisiana Additional Affordability Gap Financing (for gap financing), and Louisiana Operating Subsidy (to support Additional Affordability Units). Sponsors may propose that a portion of units provide Permanent Supportive Housing; such sponsors may also apply for an Louisiana Supportive Services Grant.

Additional Application Requirements. Sponsors must agree to accept, for up to 5% of total units, qualified Permanent Supportive Housing applicants who are beneficiaries of Supportive Services Grants (see also the related discussion in Appendix 4). Additional points will be awarded to sponsors who agree to a PSH set-aside larger than the 5% minimum requirement.

Rents and Occupancy. Rents and occupancy for all LIHTC units will be governed by LIHTC requirements. In addition, rents and occupancy for Additional Affordability Units will be subject to OCD requirements as discussed in Appendix 1 and may be subsidized by an Louisiana Operating Subsidy contract as discussed in Appendix 5. Rents and occupancy for Permanent Supportive Housing tenants will be subject to OCD requirements as discussed in Appendix 4.

Appendix 4A: Permanent Supportive Housing In General

Overview of Public Purpose Objectives. OCD, LRA, LHFA, the Louisiana Department of Health and Hospitals ("DHH"), and the Louisiana Department of Social Services ("DSS"), hereinafter collectively the "State", seek to make a significant amount of rental housing available to Louisianans with special needs, in community-based non-institutional settings, by providing Supportive Services Grants designed to support successful tenancies and successful lives in mainstream housing. Experience with similar approaches in other States suggests that this approach leads to reduced utilization of emergency room services and other high-cost health / social service interventions, and to cost savings that outweigh amounts spent to provide the supportive services. PSH is an "evidenced-based" practice which facilitates community integration through flexible, sustainable cross-disability supportive service approaches. The PSH model represents effective government policy to reduce reliance on expensive and restrictive settings for people with disabilities such as nursing homes, public institutions (e.g., state psychiatric hospitals), homeless facilities, acute care and emergency facilities, etc. PSH is also increasingly used to address the complex needs of other vulnerable populations, such as transition age youth and people with chronic health conditions, who have been homeless for long periods time.

Two Contexts: (1) PSH Set-Aside Program and (2) PSH Developments. OCD will provide Supportive Service Grants in two different contexts. In the first context ("PSH Set-Aside Program"), a DHH/DSS-approved agency may apply to provide supportive services to clients who will reside in PSH units within Additional Affordability LIHTC properties, Mixed Income properties, and 2007-2008 GO Zone Credit properties that do not receive CDBG funds. The second context is a Permanent Supportive Housing development, with at least 15% of units designated for PSH clients. The PSH Set-Aside Program is discussed in Appendix 4B, and PSH developments are discussed in Appendix 4C.

Eligible Populations. Literature and practice in the area of permanent supportive housing asserts that the target population for PSH should be people with extremely-low incomes who have chronic health and other conditions that are at least episodically disabling or who face other substantial barriers to obtaining/maintaining housing (e.g. history of out-of-home placement); do not currently live in appropriate and stable affordable housing; and who would be unable to retain housing without tightly linked supportive services coordinated with the housing at the systems level. Consistent with this expectation, the eligible target populations for permanent supportive housing through the Road Home program will be extremely-low-income individuals and households (i.e., with incomes at or below 30% of AMI) who have one or more of the following conditions:

- Hurricane displacees living in the homeless shelter system or otherwise in temporary housing.
- The individual/household member has a substantial, long-term disability including any of the following:
    - Serious Mental Illness;
    - Addictive Disorder, i.e., individuals in treatment/recovery from substance abuse disorder;

    - Developmental Disability, i.e., mental retardation, autism, or other disability acquired before the age of 22;
    - Physical, sensory, or cognitive disability occurring after the age of 22;
    - Disability caused by chronic illness (e.g., people with HIV/AIDs who are no longer able to work); and
    - Age-related disability (i.e., “frail elderly).
- The household is homeless, or is determined by DSS to be most-at-risk of homelessness.
- The individual/household member is aging out of the state Foster Care system.

PSH sponsors may propose to house other special needs populations, subject to the prior concurrence of DHH or DSS as appropriate. State concurrence will be demonstrated by the agreement of the appropriate agency(ies) to the Service Plan (see Appendix 8).

PSH units within Mixed Income, Additional Affordability LIHTC, and GO Zone Credit developments will be open to members of any eligible population.

Appendix 4B: The Permanent Supportive Housing Set-Aside Program

The following discusses PSH clients who live in properties developed with GO Zone Credits (other than PSH developments, which are discussed in Appendix 4C). Sponsors of these properties are not required to prepare Supportive Service Plans.

Public Purpose: Access to Mixed Income Properties, Additional Affordability LIHTC Properties, and non-CDBG 2007-2008 GO Zone Credit Properties, By PSH Clients. OCD and LRA require sponsors of Mixed Income and Additional Affordability LIHTC properties to house Supportive Services Grant beneficiaries (by making at least 5% of total units in the property available to PSH clients) in order to improve opportunities for beneficiaries to obtain permanent housing, in a residential setting, with appropriate services available (in these situations, the services will be provided through a DHH/DSS-approved agency through the Supportive Services Grant). PSH units within Mixed Income, Additional Affordability LIHTC, and GO Zone Credit developments will be open to members of any eligible population.

PSH Set-Aside Program Requirements for Sponsors. Under the PSH Set-Aside Program, developers/sponsors are required to work cooperatively with Supportive Service Grantees who will refer potential tenants. However, Mixed Income and Additional Affordability LIHTC sponsors are not required to prepare a Service Plan; Service Plans in the PSH Set-Aside Program will be solely the responsibility of the appropriate DHH/DSS-approved agency.

Referral Process for PSH Set-Aside Units. Project sponsors must notify the applicable Supportive Services Grantee whenever an eligible unit becomes available (that is, whenever the sponsor has not yet filled its PSH set-aside requirement). If, within the following three days, the Grantee refers one or more PSH clients, the sponsor must accept or decline such PSH client(s) prior to considering any other applicant(s) for such unit. However, sponsors are not required to hold a unit if the PSH client fails to provide needed information (for example, verification of income) within a reasonable time in accordance with guidance to be issued by LHFA. Project sponsors are not obliged to accept a referred applicant unless the applicant is acceptable in accordance with the sponsor's standard nondiscriminatory resident selection criteria (which must be applied consistently to all applicants for all units in the property). Project sponsors may vary the terms of the tenancy (including, specifically, requiring a lease term as short as month-to-month), so long as the sponsor's decision is based on nondiscriminatory criteria consistently applied to all applicants for all units in the property[3]. Grantees may not refer a client to a project sponsor unless (a) the client has affirmatively expressed a desire to live in that specific property, (b) in the service provider's reasonable judgment, the client has sufficient and sufficiently stable income to afford the rent and utilities (typically affordable at 20% AMI), and (c) in the service provider's reasonable judgment, the client is likely to uphold his or her responsibilities under the lease. The client must be the tenant / lessee; neither the Grantee itself nor any service provider is permitted to be the lessee. OCD and LRA will require Grantees to maintain two waiting lists of applicants:

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[3] For example, the sponsor's criteria for requiring a shorter lease term may not be based on the presence, nature or severity of a disability but could be based on neutral criteria such as housing history and credit history.

- For applicants displaced by a 2005 hurricane (or for whom a 2005 hurricane caused or aggravated a disability) and who were Louisiana residents at the time of such hurricane; and
- For all other applicants.

When selecting applicants to refer to project sponsors, if both waiting lists contain applicants, the Grantee must select from the two waiting lists so as to achieve an equal number of beneficiaries successfully housed, for each of the two waiting list categories.

Typical Working Relationship Between Project Sponsor and Supportive Services Grantee. DHH and DSS will require, as a condition for approval of Service Plans, a commitment by the Supportive Services Grantee to a productive working relationship with project sponsors, consistent with the following. Upon acceptance of the PSH client by the project sponsor, the Grantee will also contract with a service provider(s) to offer the array of services to the tenant residing in the PSH unit. The Grantee will coordinate the timing of the service provision to ensure that the service provider is in place to assist with move-in and initial occupancy activities. Service provider staff will assist each PSH tenant to comply with the lease agreement and to achieve a successful long-term tenancy. The Service Plan must provide for a designated Tenant Liaison/Service Coordinator who will serve as the primary day to day contact for the Sponsor's property management staff. The Service Plan must provide points of contact for PSH client referral and for Sponsor feedback regarding the Service Plan.

PSH Set-Aside Program Funding Approach. After initial awards have been made to sponsors of Mixed Income and Additional Affordability LIHTC developments, each DHH/DSS-approved agency will know how many PSH clients can potentially be housed in its service area. At that point, OCD will solicit applications for Supportive Service Grants from DHH/DSS-approved agencies. Any DHH-designated Local Lead Agency that applies for a Supportive Services Grant with respect to eligible units in its service area shall be selected to receive the grant upon submission of a Service Plan bearing the approval of DHH and DSS,

Louisiana Supportive Services Grant for PSH Set-Aside Program. Each DHH/DSS-approved agency may request a Louisiana Supportive Services Grant equal to the lesser of (a) $25,000 per Permanent Supportive Housing unit and (b) five times the proposed annual services budget.

Eligible Costs. Grantees may use proceeds of the Louisiana Supportive Services Grant toward any or all of the following costs:

- Direct support services to individuals. Services may be provided by qualified staff or by qualified third parties.
- Service providers (but not project sponsors) may use grant funds to provide additional rental assistance (i.e., to reduce the rent below the 20% AMI rent), for up to three months per beneficiary, but only on an emergency basis.
- Salaries and other payroll costs for qualified service coordinators and qualified case workers. Eligible staff of the sponsor may be shared with other properties only if the Service Plan so provides and if LHFA grants an advance written approval of the sharing approach.

- Furniture, computers, software, office supplies, utilities, maintenance, and communication services used exclusively by services staff.
- Training and training-related travel, not to exceed $1000 per services staff member per year.

The following costs are not eligible: construction / renovation of facilities, and salaries and other payroll costs of staff any portion of whose duties include any normal property management function(s).

Financial Requirements. The grant period will be five years. During the grant period, the grantee may utilize grant funds only for eligible costs. Any funds remaining at the end of the grant period will become unrestricted funds of the grantee. OCD does not require grantees to provide any financial reports to OCD. However, OCD retains the right to inspect the books and records of the grantee at any reasonable time, at the grantee's place of business, upon reasonable advance notice, and the grantee must cooperate with any such OCD inspection and review. See also the administrative requirements of the Service Plan in Appendix 8.

Appendix 4C: Permanent Supportive Housing Developments

The following discusses properties with 15% or more units designated for PSH clients. Sponsors of these properties are required to prepare a Supportive Service Plan in consultation with, and subject to the approval of, the appropriate DHH/DSS-designated agencies.

Public Purpose: Development of Permanent Supportive Housing ("PSH" Properties). Because existing housing opportunities for eligible populations are concentrated in developments exclusively for those populations, the State will prioritize PSH applications in which no more than 25% of units are for eligible populations; similarly, the State will prioritize PSH applications that propose to house a broad range of eligible populations rather than a narrow range of eligible populations. The State prefers that developments designated exclusively for PSH be on a small scale (for example, a cross-disability PSH property with up to 24 units, or a single-disability PSH property with up to 8 units). Sponsors of PSH properties are required to work closely with the appropriate State agency(ies) to shape project characteristics, identify target populations, and establish a comprehensive service plan that includes specific and comprehensive service delivery methods. PSH sponsors may propose that all PSH units be 20% AMI Units. Because Section 8 subsidy can support even deeper affordability than Louisiana Operating Subsidy, the State encourages PSH sponsors to obtain commitments for project-based Section 8 subsidy for PSH units in lieu of requesting Louisiana Operating Subsidy.

Funding Approach for PSH Developments. PSH sponsors must submit a Service Plan, bearing the approval of DHH and/or DSS as appropriate, in order to be eligible for GO Zone Credits and CDBG funding. The State expects that sponsors will work with the appropriate DHH/DSS-approved agency(ies) to develop a Service Plan that is appropriate for the proposed PSH development. The Service Plan must be acceptable to both the State and the sponsor. The State prefers that all Supportive Service Grant funding be provided to the DHH/DSS-approved agency; however, sponsors may negotiate to receive some of the Supportive Services Grant funds (either through the DHH/DSS-approved agency, or directly via a separate Grant) to support the cost of (a) services not regulated by DHH/DSS that are appropriate for the target population and for which the sponsor is a qualified provider; and/or (b) services regulated by DHH/DSS for which the sponsor is a qualified provider. See Appendix 8 for additional information on the Service Plan.

Additional Application Requirements for PSH Developments. PSH sponsors must include a Service Plan as discussed in Appendix 8. Appendix 8 provides that (for most PSH properties) the Service Plan must be approved by either the local DHH-approved Lead Agency and/or the local Continuum of Care agency depending on which eligible population(s) will be served.

Louisiana Supportive Services Grant for PSH Developments. With the concurrence of the project sponsor, a DHH/DSS-approved agency may apply directly for a grant, with respect to a proposed PSH development in its service area. Alternatively, by mutual agreement, a joint application may be made by a PSH sponsor and a DHH/DSS-approved agency. Applicants may request a Louisiana Supportive Services Grant equal to the lesser of (a) $25,000 per Permanent Supportive Housing unit and (b) five times the proposed annual services budget. See the discussion in Appendix 4B regarding eligible costs and financial requirements for Louisiana Supportive Services Grants.

Appendix 5: Louisiana Operating Subsidy

Note – this concept is similar to project-based rental assistance. However, because this is a one-time program that must be implemented quickly, the program is designed for maximum simplicity both for the project sponsor and for OCD.

Amount of Operating Subsidy. The Louisiana Operating Subsidy contract will pay, for each Additional Affordability Unit, the difference between the affordable rent and the applicable payment standard. Sponsors will propose one of the following payment standards: (a) the 50% AMI rent, (b) the 55% AMI rent, and (c) the 60% AMI rent most recently published by LHFA. Sponsors proposing the lower payment standards will receive additional points in the competitive scoring formula.

Term of Operating Subsidy Contracts. The contract term will expire upon the earlier of (a) 15 years and (b) expenditure of all contract funds. The total number of units assisted will be constant for the first 10 years and then will decline on a straight-line basis over the remaining term of the contract. Once an Operating Subsidy Contract expires, the sponsor's obligation to restrict rents for Additional Affordability Units (below the maximum rents otherwise required for LIHTC purposes) ceases. However, rents may not be increased for occupied Additional Affordability Units until the later of (a) expiration of the tenant's lease and (b) expiration of a 90 day notice period to affected residents. The sponsor may issue this notice 90 days prior to the end of the contract term, or (with advance written OCD approval) 90 days prior to the estimated date on which contract funds will be fully expended.

Funding of Operating Subsidy Contracts. Each Louisiana Operating Subsidy contract will be pre-funded by OCD upon commencement of construction of the development, and the proceeds will be invested in Treasury securities maturing evenly over the contract term[4]. Contracts will be funded in an amount calculated by OCD to be sufficient to make subsidy and administrative fee payments for 15 years, assuming that future AMIs grow at 5.0% per year, and allowing 5% for administrative fees.

Administration of Louisiana Operating Subsidy Contracts. OCD will engage one or more qualified independent administrators / trustees (that may be either private sector or public sector organizations) to manage investment of contract funds and to make payments to sponsors.

Compliance Monitoring. At each LHFA monitoring visit, LHFA will verify that rents charged for all Additional Affordability Units have not exceeded the maximum permissible rents, and LHFA will also verify (through review of initial and most recent income certifications / recertifications) that a sample of Additional Affordability Units are occupied by eligible households.

Sanctions for Non-Compliance. Abatement (i.e., for some or all of the units, at OCD's option) could occur for any of the following reasons of non-compliance:

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[4] OCD is requesting a HUD waiver to permit this funding approach. If the waiver is not granted, appropriated funds will remain (not subject to any appropriations risk) in OCD's account at the United States Treasury and will be drawn down annually in an amount necessary to fund that year's owner payments and administrative costs.

- Failure to Achieve 90% Occupancy Rate for Additional Affordability Units. If the owner's annual report, for two out of any five consecutive years, indicates an occupancy rate (by eligible households) of less than 90% for the Additional Affordability Units, OCD may abate the Operating Subsidy for some or all units. For the remaining term of the Operating Subsidy contract, the abated units must be occupied by households with incomes at or below 40% AMI, at rents not to exceed the 40% AMI rent (that is, the potential rent for the abated units will drop from the 50%-60% AMI rent to the 40% AMI rent). Other penalties may also apply.
- Other Material Noncompliance by the sponsor. For example, failure to lease Additional Affordability Units to eligible households, or failure to timely file accurate Annual Reports. OCD may abate some or all units under the Louisiana Subsidy Contract. For the remaining term of the Operating Subsidy contract, the abated units must be occupied by households with incomes at or below 40% AMI, at rents not to exceed the 40% AMI rent (that is, the potential rent for the abated units will drop from the 50%-60% AMI rent to the 40% AMI rent). Other penalties may also apply.

If Operating Subsidy is abated with respect to an occupied unit, the rent may not be increased until the later of (a) expiration of the tenant's lease and (b) expiration of a 90 day notice period.

Payment of Operating Subsidy. The administrator will make 180 monthly payments to each sponsor. Each monthly payment will be in a pre-determined amount documented in the contract, with no adjustments.

Duplicative Subsidies Prohibited. Recipients of rental assistance such as a Section 8 Housing Choice Voucher, or public housing Operating Subsidy, or HOME tenant-based rental assistance, may not occupy an Additional Affordability Unit unless they relinquish the non-OCD subsidy.

Annual Report for Additional Affordability Units. Within 30 days following the end of each calendar year during the term of the Louisiana Operating Subsidy contract, the sponsor will submit to LHFA, OCD, and the third party administrator a report showing, for each Additional Affordability Unit, the name, initial occupancy date, income at initial occupancy, most recently recertified income, move-out date, and number of days occupancy during the calendar year for each resident household. The Annual Report must disclose whether any such resident household received any other form of rental assistance for any portion of the occupancy period. The Annual Report must meet any other requirements imposed by LHFA.

Appendix 6: Gap Financing for 4% LIHTC Developments

To the extent that funds initially allocated for Operating Subsidy are (in OCD's sole discretion) not needed for that purpose, OCD will make a portion of those funds available through LHFA for use as Gap Financing for LIHTC developments utilizing tax-exempt private activity bond financing ("volume cap" bonds allocated by LHFA) and 4% LIHTCs. Sponsors may apply to LHFA for up to the lesser of (a) $6,000,000 and (b) $75,000 per unit in Gap Financing. See Appendix 7 for a discussion of the terms for Gap Financing.

Appendix 7: Gap Financing Terms

The following discussion applies to Louisiana Additional Affordability Gap Financing, Louisiana PSH Gap Financing, and Louisiana Mixed Income Gap Financing.

Repayment will be secured by a second lien on the property. The loans will be non-recourse to the borrower. Repayment will be from a share of Restricted Surplus Cash as discussed below, and from residual value of the project. Loans will become due upon the earlier of (a) maturity at 30 years; (b) sale of the property; (c) refinancing of the property; or (d) acceleration as the result of material noncompliance with the terms of the loan.

Sponsors will select one of the following interest rates:

- 1.0% per year, simple interest (i.e., not compounding).
- The Applicable Federal Rate, compounding annually.

Surplus Cash and Restricted Surplus Cash. Sponsors will be required to submit audited annual financial statements that include a Surplus Cash computation as defined by LHFA. Surplus Cash is a balance sheet measurement that subtracts short-term obligations from available cash. If Surplus Cash were positive, it would be distributed in the following order of priority:

1. If the property met performance benchmarks set by LHFA, $300 per unit (or Surplus Cash, whichever is less) to the owner as an Incentive Performance Fee;
2. The remaining Surplus Cash ("Restricted Surplus Cash"), if positive, would be distributed:
    a. One-third toward any Gap Financing Loan (or, if there is no Gap Financing Loan then outstanding, to OCD).
    b. Unless the property has achieved positive cash flow in each of its two most recent fiscal years, one-third to an Operating Reserve maintained by the sponsor but under the control of LHFA.
    c. Any remaining amount to the sponsor.

Restrictions On Identity-of-Interest Relationships. In order to protect OCD's interest in future Surplus Cash, sponsors must notify OCD and LHFA prior to contracting with any identity-of-interest entity, and sponsors must include in their audited annual financial statements a disclosure of all amounts paid to identity-of-interest entities. In addition, OCD and LHFA each will have the right, in its sole and absolute discretion, during the term of any Gap Financing loan, to require the cancellation of any contract between the sponsor and any identity-of-interest entity, and all identity-of-interest contracts must permit such cancellation.

Appendix 8: Service Plan Requirements

"(PSH Set-Aside)" indicates that a paragraph is applicable only in the PSH Set-Aside Program (i.e. the sponsor agrees to designate 5% or 10% of total units for PSH clients).

"(PSH Developments)" indicates that a paragraph is applicable only in the PSH development context (i.e., 15% or more of total units designated for PSH clients).

Paragraphs not so designated apply to all Service Plans.

Role of Local Lead Agency ("LLA"). OCD, LRA, LHFA, DHH and DSS have agreed that, subject to case by case exceptions that may be requested by potential PSH sponsors, Supportive Services Grants should typically be made to the DHH-designated Local Lead Agency both for the PSH Set-Aside Program discussed in Appendix 4B and with respect to PSH developments.discussed in Appendix 4C. Local Lead Agencies (LLAs) are the Local Governance Entity (i.e. statutorily designated human services district or authority) or – in the regions without a Local Governance Entity – the DHH Regional Offices. These entities currently serve as primary entry point to community-based services, have extensive responsibility for individual service planning and coordination, monitoring of service provider quality and performance, and coordination of diverse funding streams to optimize cost-effectiveness and service sustainability. OCD, LRA, DHH and DSS intend for the LLA involvement to ensure that proposed PSH developments, and proposed Service Plans, are consistent with the State's evolving vision for providing supportive services to eligible populations over the long term.

(PSH Set-Aside) Role of Supportive Services Grantee. The Grantee will have primary responsibility for the PSH partnerships to be created at the local level and will assume responsibility for planning and coordinating the delivery of the range of services needed for PSH eligible populations living in the Grantee's service area. Grantees will work with Sponsors, the local service provider network and a broad range of stakeholders to ensure the range of interests and specific needs of each of the disability sub-populations living in PSH is met.

Grantees will develop and/or work with existing networks of service providers that can deliver effective and evidence-based PSH community supports tailored to individuals across PSH eligible populations. Grantees will contract with one or more PSH service provider(s) to create mobile and flexible Community Support Teams that can provide effective services necessary for PSH clients to meet their tenancy obligations, personal self-sufficiency goals, and become fully integrated into their communities.

Grantees shall assign a Tenant Services Liaison to each project with PSH units. The Tenant Services Liaison is the primary contact for the Sponsor to resolve tenant-landlord or property management issues.

(PSH Set-Aside) Service Plan Requirements. These Service Plans must address the Service Plan Contents discussed below, with adjustments to reflect the provision of supportive services at a number of locations within the community, and to reflect the full range of eligible populations. These Service Plans must also:

- Include and address the referral process and working relationship discussed in Appendix 4.
- Specify that PSH tenants are not required to accept specific services as a condition of occupancy of a PSH unit.
- Specify progress toward economic self-sufficiency as a Service Plan objective except where client-specific considerations (e.g., age or disability) make this an unrealistic objective.

(PSH Developments) Service Plan Requirements. A Service Plan specific to each PSH development will be developed jointly by the PSH sponsor and the LLA. These Service Plans must address the Service Plan Contents discussed below. Service Plans for PSH developments must also:

- Bear the approvals of both the LLA and the PSH sponsor (failure to meet this requirement will render the application ineligible for GO Zone Credits and CDBG funding).
- Specify that PSH tenants are not required to accept specific services as a condition of occupancy of a PSH unit.
- Specify progress toward economic self-sufficiency as a Service Plan objective except where client-specific considerations (e.g., age or disability) make this an unrealistic objective.

Service Plans for PSH Developments may provide that certain service-related costs be included in the project's annual operating budget (i.e., paid for by the project's rental income), but only if no Gap Financing is requested.

Service Plan Contents. The supportive service plan must include the following elements in the order listed:

I. Populations Served - Describe the populations to be served and indicate the number of units to be set-aside for PSH (see Appendix 4 for a discussion of eligible populations). Demonstrate that the proposed development is appropriate for the intended eligible populations. Specifically justify the proposed location, project size, unit design, unit mix, and service mix, taking into account available data regarding the number of eligible individuals / households in the project's primary market area, and regarding existing permanent supportive housing in the primary market area that serves the intended eligible populations.

II. Tenant Services Liaison – Each Service Plan shall designate a service provider staff position assigned as the Tenant Services Liaison contact for the Sponsor to deal with any tenant-landlord/property management issue. The Plan will provide detail regarding the number of hours per week the Tenant Services Liaison will spend on-site working with PSH tenants and property management. (Note. DHH will work with Local Lead Agencies to develop minimum requirements including job qualifications for Tenant Services Liaison staff.)

III. Five Year Budget - List in detail the estimated annual costs of providing services. Any services to be provided by the PSH sponsors must be so identified. Recognizing that the Louisiana Supportive Services Grant will cover only a portion of long-term services costs, the Service Plan must discuss the sponsor's plans for long-term sustainability of funding through the health system, through the social services system, and/or through contributions from other sources outside the housing system.

IV. Description of Services - Provide specific descriptions of the proposed services and explain how they will be made available to residents. The descriptions of services must include enough details and information to establish what services will be provided, how the services will be provided, and who will provide the services. The State envisions a significant and intensive service package encompassing (as appropriate) outreach, engagement, support in accessing housing (including assistance with applications, arranging for utilities, and arranging for relocation), crisis prevention, intervention, support in acquiring skills and knowledge, support in acquiring benefits, assistance in money management, providing opportunities for social support and peer support, advocacy, clinical case management, clinical interventions, facilitating arrangements for child care, arranging access to acute and emergency health care, psychiatric and substance abuse treatment, providing linkage to education and employment opportunities, and arranging access to transportation.

V. Administration – Describe how the service provider will maintain financial records establishing that grant funds were spent solely on eligible activities. Describe the qualifications that will be required for professionals other than the Tenant Services Liaison. Describe how all service professionals will be supervised and by whom. Describe how the service provider will record, organize and report key outcome data. Describe how the service provider will comply with applicable record-keeping and privacy requirements including requirements under HIPAA and requirements related to case management.

Appendix 9: Mixed Income Flexible Subsidy

Sponsors of Mixed Income developments may request up to $10 million (per sponsor, across all proposals by that sponsor or its affiliates) in Flexible Subsidy, in one of the following forms

- A recoverable loan to fund an operating deficit reserve to cover cash flow deficits. The loan would be recoverable if the sponsor failed to provide the agreed-upon level of affordability. See Flexible Subsidy Operating Deficit Reserve below.
- A loan to cover development costs, at 1% simple interest, payable from a share of cash flow and residual value. See Flexible Subsidy Gap Financing below; also see Appendix 7.
- A loan to cover development costs, at the Applicable Federal Rate, with compound interest, payable from a share of cash flow and residual value. See Flexible Subsidy Gap Financing below; also see Appendix 7.

Flexible Subsidy Operating Deficit Reserve

The sponsor's application would include a cash flow pro forma extending through the lesser of 10 years, or until the project is estimated to achieve break-even cash flow. Projects must achieve break-even in or prior to year 10 in order to be eligible for Flexible Subsidy. The Flexible Subsidy is limited to 200% of the total pro forma cash flow deficits (not including the year in which the project first breaks even). In preparing the pro forma, the sponsor must use the same economic assumptions used in its LIHTC application.

The reserve funds would be invested and would be under the control of an administrator appointed by OCD. Monthly, the administrator will pay to the sponsor one-twelfth of the sponsor's pro forma cash flow deficit for the year. After completion of the sponsor's audited financial statements for the year, the sponsor will file a report with the administrator documenting the actual cash flow for the year. If the actual cash flow was negative and was larger than the amount paid, the sponsor will receive an additional payment equal to the lesser of the full difference, or 100% of the original estimate (that is, the total amount to be paid in any year is limited to 200% of the original estimate). If the actual cash flow was positive, or was a deficit smaller than the amount paid, the administrator would make no future payments to the sponsor until the difference had been recovered. Once the project achieves positive cash flow for two successive years, the remaining balance of the reserve will be paid as follows: up to $2,000 per unit to the sponsor, and the balance 25% to the sponsor and 75% to OCD.

Flexible Subsidy Gap Financing

Gap financing loans are limited to the gap between allowable development costs and available sources of funds, in accordance with applicable Subsidy Layering requirements. Also see Appendix 7.

Appendix 10: CDBG Funding Allocation

DRAFT; SUBJECT TO FURTHER REVISION

75% By Number of Heavily Damaged Rental Units

Sub-Pool	Adjusted Rental Units w/ Major Damage or Severe Damage		Operating Subsidy	Mixed Income Flexible Subsidy	Additional Affordability Gap Financing	PSH Gap Financing	Supportive Services Grants	Small Rental Properties	Total
Calcasieu	1,068	1.7%	$5,536,000	$1,135,000	$721,000	$393,000	$953,000	$11,388,000	$20,126,000
Cameron	465	0.8%	$2,410,000	$494,000	$314,000	$171,000	$415,000	$4,958,000	$8,762,000
Jefferson	7,955	13.0%	$41,230,000	$8,453,000	$5,368,000	$2,928,000	$7,096,000	$84,822,000	$149,897,000
Orleans	43,226	70.7%	$224,047,000	$45,934,000	$29,173,000	$15,912,000	$38,561,000	$460,929,000	$814,556,000
Plaquemines	1,272	2.1%	$6,593,000	$1,352,000	$858,000	$468,000	$1,135,000	$13,564,000	$23,970,000
St. Bernard	4,940	8.1%	$25,602,000	$5,249,000	$3,334,000	$1,818,000	$4,406,000	$52,672,000	$93,081,000
St. Tammany	2,196	3.6%	$11,382,000	$2,334,000	$1,482,000	$808,000	$1,959,000	$23,417,000	$41,382,000
General Sub-Pool	0	0.0%	$105,600,000	$21,650,000	$13,750,000	$7,500,000	$18,175,000	$217,250,000	$383,925,000
Pooled Funding	61,121	100.0%		**$86,600,000**	**$55,000,000**	**$30,000,000**	**$72,700,000**	**$869,000,000**	$1,113,300,000
Non-Pooled Funding			**$422,400,000**						$422,400,000
Total Piggyback Funding			$422,400,000	$86,600,000	$55,000,000	$30,000,000	$72,700,000		$666,700,000
Total Funding			$422,400,000	$86,600,000	$55,000,000	$30,000,000	$72,700,000	$869,000,000	$1,535,700,000
CDBG Amount			$422,400,000	$86,600,000	$55,000,000	$30,000,000	$72,700,000	$869,000,000	$1,535,700,000

Methodology for Award of Funding

Note 1 -- the Small Rental Properties program has its own separate allocation sequence not discussed here.

Note 2 -- Operating Subsidy funding will be awarded to winning proposals, in the amount needed. LRA-OCD expect that Operating Subsidy funding will generally reflect the distribution by Parish reflected above. However, the actual distribution by Parish will not match the above distribution exactly; accordingly, the distribution by Parish shown above is an estimate only.

Note 3 -- Mixed Income Flexible Subsidy will not be targeted at the Parish level (most Parishes would have insufficient funding to support one project); targeting approach is to be determined.

Primary Method of Award (to Sponsors of LIHTC Proposals in the 2007 and 2008 GO Zone Credit Rounds)

For each property type (Mixed Income, Additional Affordability LIHTC, and Permanent Supportive Housing):

1. Award funds within Parish sub-pools.
2. Award funds within General Sub-Pool A (only projects in the listed GO Zone Parishes are eligible).
3. Remaining funds go to General Sub-Pool B for the same funding program. General Sub-Pool B is open to GO Zone proposals that were not funded in steps 1 or 2.
4. Award funds within General Sub-Pool B.
5. If there are remaining funds that are not adequate to fund the next-highest-scoring acceptable proposal and sufficient Operating Subsidy funds remain, move funds from Operating Subsidy sufficient to fund the next-highest-scoring proposal.
6. Award Supportive Service Grant funds to PSH winners.
7. Announce the availability of remaining Supportive Service Grant funds to community-based service providers, to support members of eligible populations who wish to reside in PSH set-aside units in the winning Mixed Income and AA LIHTC properties.

Secondary Method of Award

Remaining funds (remaining Operating Subsidy, plus any remaining funds for under-subscribed programs) will be allocated as follows:

a. Up to 50% to fund additional acceptable Mixed Income proposals that have already been received.
b. Announce the availability of the remaining funds, as Gap Financing for tax-exempt-bond / 4% LIHTC proposals.

Parishes in General Sub-Pool:

Acadia	Allen	Ascension	Assumption	Beauregard	East Baton Rouge	East Feliciana	Evangeline	Iberia	Iberville
Jefferson Davis	Lafayette	Lafourche	Livingston	Pointe Coupee	Sabine	St. Charles	St. Helena	St. James	St. John the Baptist
St. Landry	St. Martin	St. Mary	Tangipahoa	Terrebonne	Vermilion	Vernon	Washington	West Baton Rouge	West Feliciana